

MAYVILLE COMMUNITY SCHOOLS

Mayville, Michigan

REPORT ON FINANCIAL STATEMENTS

(with required supplementary and
additional information)

June 30, 2005

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

August 29, 2005

INDEPENDENT AUDITOR'S REPORT

Board of Education
Mayville Community Schools
Mayville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mayville Community Schools as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mayville Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mayville Community Schools as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2005, on our consideration of Mayville Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through x and page 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
Mayville Community Schools
August 29, 2005

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mayville Community Schools' basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Mayville Community Schools has implemented Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. Our discussion and analysis of Mayville Community Schools' financial performance, a GASB 34 requirement, provides an overview of the School District's financial activities for the fiscal year ended June 30, 2005.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in *Statement No. 34 basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June, 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District's *net assets* – the difference between assets and liabilities, as reported in the Statement of net Assets, is one way to measure the School District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets, as reported in the Statement of Activities, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the School District's *operating results*. However, the School District's goal is to provide services to its students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the schools, must also be considered when assessing the *overall health* of the School District.

The School District's net assets totaled \$1,020,140 and \$1,149,384 at June 30, 2005 and 2004, respectfully. The following is a summary of the District's net assets at June 30, 2005 and 2004:

**MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Assets	2005	2004
Current assets	\$ 15,445,602	\$ 1,825,453
Capital assets net depreciation	3,253,362	2,174,261
Total assets	18,698,964	3,999,714
Liabilities		
Current liabilities	\$ 2,324,152	\$ 1,189,469
Long-term liabilities	15,354,672	1,660,861
Total liabilities	17,678,824	2,850,330
Net Assets		
Invested in capital assets, net of related debt \$	323,119	\$ 692,293
Restricted for debt service	296,031	
Unrestricted	400,990	457,091
Total net assets	1,020,140	1,149,384
Total liabilities and net assets	18,698,964	3,999,714

The \$400,990 in unrestricted net assets of governmental activities represents District funds that have not been committed contractually or for debt obligations and are available for future use.

Total net assets decreased approximately \$129,244 in 2004-05. The major components of the decrease in net fixed assets are as follows:

- Interest on long-term debt

Interest on long-term debt for the year ended June 30, 2005 totaled \$379,437.

- Depreciation expense

The provisions of GASB 34 require districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in net assets. Depreciation expense is recorded using a straight-line method over the estimated useful lives of the assets. In accordance with generally accepted accounting principals, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the year ended June 30, 2005, the net increase in accumulated depreciation was \$276,177.

**MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

- Debt repayment

Repayment of debt decreases the District's long-term principal obligations and, as a result, the net assets of the district increase. The District will begin repaying long-term debt in the next fiscal year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-wide results of operations for the year ended June 30, 2005 is as follows:

	2005	2004
Revenues		
Program Revenues		
Fees for services	\$ 267,754	\$ 215,543
Operating grants	564,691	1,065,803
General revenue		
State Foundation	7,362,663	7,209,845
Property Taxes	1,267,817	410,629
Other	<u>251,283</u>	<u>48,056</u>
Total Revenues	\$9,714,208	\$8,949,876
Expenses		
Instruction	\$5,554,527	\$5,610,280
Support Services	2,889,295	2,974,800
Community Services	8,074	
Food Service	411,018	419,210
Athletics	235,919	202,887
Capital Projects		8,474
Capital Outlay (noncapitalized)	89,005	172,340
Interest on long-term debt	379,437	28,505
Depreciation	<u>276,177</u>	<u>282,328</u>
Total Expenses	\$9,843,452	\$9,698,824

**MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

INCREASES IN NET ASSETS	2005	2004
Net assets – July 1	\$1,149,384	\$1,898,332
Net assets – June 30	<u>1,020,140</u>	<u>1,149,384</u>
Total	\$ (129,244)	\$ (748,948)

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

The financial condition of the governmental funds changed significantly as indicated by the combined fund balance of \$13,757,995 in 2004-05, compared to \$855,890 in 2003-04. This change is largely a result of passing the bond issue and collecting the funding which will eventually be spent on the building project.

In the General Fund, our principal operating fund, the fund balance decreased \$539,872. This decrease was the result of a combination of a reduction in students numbers, no increase in state funding, and significant increases in health and retirement costs.

For the 2004-05 fiscal year, the Debt Service Fund millage rate was 18 mills. Millage rates are determined annually to ensure the School District accumulated sufficient resources to pay annual bond issue-related debt service.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The School District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments, actual State Aid per pupil and staffing changes are known. Currently, the most significant budgeted fund is the General Fund. During the fiscal year ended June 30, 2005, the School District amended the budget of this major governmental fund three times.

General Fund

In the general fund, the actual revenue was \$8,220,223. This is below the original budget estimate of \$8,244,433 million and the final amended budgeted amount of \$8,277,433. The variances between the actual General Fund expenditures and the original and final expenditure budgets include the following:

- A reduction in discretionary spending resulting from the spending reductions implemented during the year when there was a concern that the State of Michigan would not give the school district increase in per pupil funding for the coming school year.

**MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

A schedule of statements showing the School District's original and final budget amounts compared with amounts actually paid and received.

General Fund revenues totaled \$8,220,223 and total expenditures \$8,531,697 for the year. The fund balance was \$291,935 at June 30, 2005.

GOVERNMENTAL FUND EXPENDITURES

The following chart illustrated that general fund comprises 78.6 % of all the expenditures within the governmental funds of the School District. As of June 30, 2005 expenditures totaled \$10,893,246 for all District programs. The ending fund balance for all funds was equal to \$13,737,995.

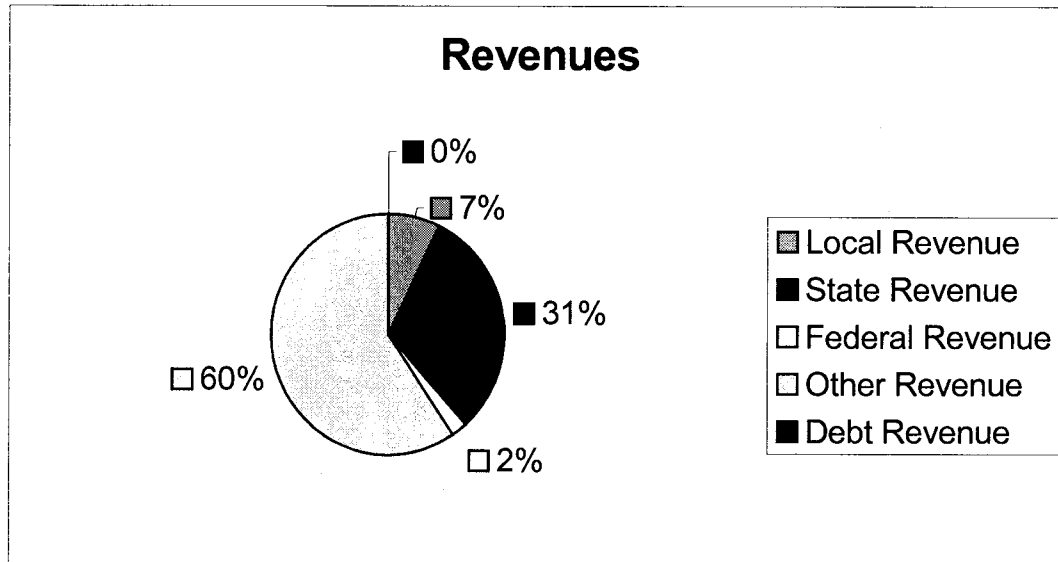
	June 30, 2005	% of TOTAL
General Fund	\$ 8,531,697	78.4%
Special Revenue Fund	\$ 646,937	5.9%
Debt Retirement Fund	\$ 448,329	4.1%
Capital Projects Fund	\$ 1,266,283	11.6%
Total	\$10,893,246	100.0%

TOTAL REVENUES

Revenues for all governmental funds totaled \$23,775,351. The following graph illustrates the District revenues by source as a percentage of total revenue:

Local Revenue	\$1,718,592	0.072
State Revenue	7,362,663	0.310
Federal Revenue	564,691	0.024
Bond Proceeds	<u>14,129,405</u>	<u>0.594</u>
Net	\$23,775,351	1.000

**MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**



Unrestricted State Aid

The district is predominately funded by State Aid, which has remained as the same level for the last three school years, except for the 2003-04 school year when a \$74 per pupil reduction was mandated during the school year. However, for the 2004-05 fiscal year, the State brought the level of funding back to \$6,700 per pupil. State Aid membership was \$6,700 and \$6,700 in 2004-05 and 2003-04 respectively.

Property Taxes

The District levied 18.0000 mills, of property taxes on all Non-Homestead property located within the district for General Fund operations during the 2004-05 school year. This millage rate was up from the 17.0729 that the district levied in the 2003-04 school year. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value. The 2004-05 Non-homestead property tax levy totaled approximately \$471,810.

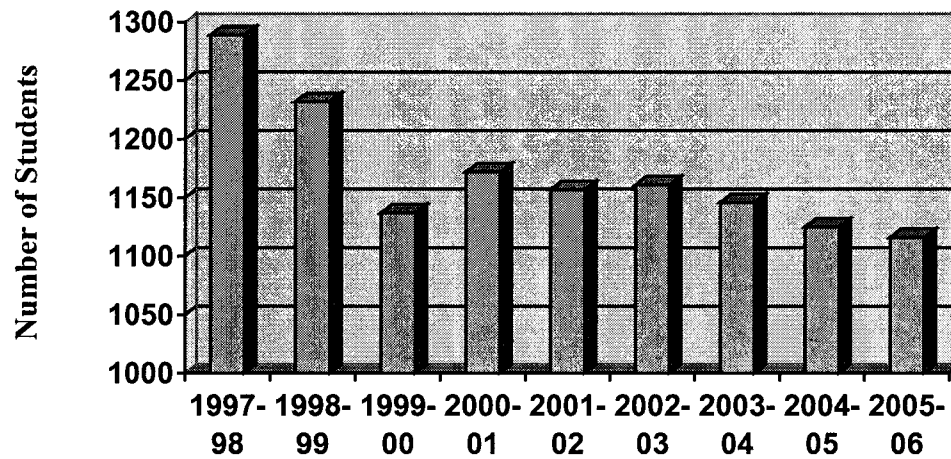
The District levies 6.0000 mills of property taxes on all classes of property located within the district for bonded debt retirement. This levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations. The total amount levied for debt retirement in the 2004-05 year was \$798,300.

Enrollment

The enrollment of Mayville Community Schools totaled 1119.5 students in 2004-05. This is a decrease in enrollment of 37.3 students from the 2003-04 year. The School District is located in Tuscola and Lapeer Counties and it is considered a rural community. The School District's enrollment includes students K-12 and Alternative High School students, located in learning centers in Mayville.

**MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Enrollment over the last eight years, plus a 2005-06 projection is illustrated as follows:



**MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Enrollment is important to the financial health of the School District because State funding is based on a per-pupil formula. For the fiscal year ended June 30, 2005, the gross per-pupil allowance was \$6,700.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2005, the School District had \$7,100,601 invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$4,065,370 has been depreciated. Net book value totals \$3,035,231. The majority of the buildings will be either constructed or remodeled as a result of the 2004 Bond Issue. The district is committed to the timely repairs and maintenance of its facilities. The District's capitalization policy threshold is \$1,000.

**MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Governmental <u>Activities</u>
Construction in Progress	\$ 534,152
Land and Improvements	86,194
Buildings and Additions	4,958,236
Machinery and Equipment	520,487
Vehicles & Buses	<u>1,001,532</u>
Total	<u>\$7,100,601</u>

Debt

OUTSTANDING DEBT AT YEAR-END

At June 30, 2005, the School District had \$15.9 million in debt outstanding as compared to \$1.8 million at the end of the previous year. The bonds outstanding consisted of the following:

Bus Notes	\$ 103,523
Energy Notes	825,000
Durant Issue	85,441
School Improvement Notes	295,000
2004 Building and Site Bonds	13,945,000
Installment Loans	136,865
Compensated absences and incentives	505,471

It needs to be noted that the Durant Issue is a legal obligation of the School District, but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payment. If the legislature fails to appropriate for these bonds, the School District is under no obligation for payment. The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating.

State statutes limit the amount of debt school can issue. The School District's outstanding debt of \$15.9 million is under the statutory imposed limits.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

**MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The School District's revenue is heavily dependent on enrollment, State funding, and thus, the health of the State's School Aid Fund. The State periodically holds revenue consensus conferences to estimate its revenues. Based on the results of these conferences, the State determines whether they have sufficient funds to meet the \$6,700 per student allocation that they have indicated that they will fund for the 2005-06 school year. It is because of the uncertainty of the funding level, that the district chose to budget the per pupil allocation at \$6,850.

The State's current blending formula (25% February 2005 count and 75% September 2005 count) is the same formula that was used in the 2004-05 school year. The district's blended count is projected to be up from the 2004-05 school year.

The 2004-05 budget, as originally adopted, included an excess of expenditures over revenue of \$750,000, which reduced the District's fund equity. During the school year the District reduced elective spending as much as possible, to help reduce that projected excess in expenditures over revenue. Even if the State revenues improve, future budget reductions may be required to handle the increasing costs, such as health insurance, State mandated retirement contributions and the ever-increasing costs of fuel and the utilities.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of Mayville Community Schools. If you should desire additional detailed financial program audits, they can be obtained by contacting the following person:

Linda Smith, Business Manager
Mayville Community Schools
6250 Fulton Street, Mayville, MI 48744-9103
Telephone – 989.843.6115, ext. 208 Fax – 989.843.6988
Email – smithl@mayville.k12.mi.us

BASIC FINANCIAL STATEMENTS

MAYVILLE COMMUNITY SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2005

	ASSETS	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS:		
Cash & equivalents		\$ 6,416
Investments		14,041,093
Accounts receivable		57,834
Taxes receivable		5,798
Due from other governmental units		<u>1,334,461</u>
TOTAL CURRENT ASSETS		<u>15,445,602</u>
NONCURRENT ASSETS:		
Deferred bond issuance cost		225,653
Amortization of bond issuance cost		(7,522)
Construction in progress		534,152
Building Improvements		4,958,236
Land and improvements		86,194
Equipment and furniture		520,487
Buses and other vehicles		1,001,532
Less accumulated depreciation		<u>(4,065,370)</u>
TOTAL NONCURRENT ASSETS		<u>3,253,362</u>
TOTAL ASSETS		<u>\$ 18,698,964</u>
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:		
Accounts payable		\$ 338,194
Note payable		500,000
Salaries and benefits payable		847,348
Accrued expenses		14,450
Payroll liabilities		1,817
Accrued interest payable		80,715
Compensated absences payable, current portion		110,683
Retirement incentives payable, current portion		67,350
Bonds payable, current portion		255,000
School bus loans payable, current portion		36,849
Computer lease payable, current portion		41,952
Notes payable, current portion		23,321
Durant bond payable, current portion		<u>6,473</u>
TOTAL CURRENT LIABILITIES		<u>2,324,152</u>
NONCURRENT LIABILITIES:		
Compensated absences payable, long term portion		284,604
Retirement incentives payable, long term portion		42,834
Bonds payable, long term portion		14,810,000
School bus loans payable long term portion		66,674
Computer lease payable, long term portion		21,213
Notes payable, long term portion		50,379
Durant bond payable, long term portion		<u>78,968</u>
TOTAL NONCURRENT LIABILITIES		<u>15,354,672</u>
NET ASSETS:		
Invested in capital assets, net of related debt		323,119
Restricted for Debt Service		296,031
Unrestricted		<u>400,990</u>
TOTAL NET ASSETS		<u>1,020,140</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 18,698,964</u>

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 5,554,527	\$ 5,065	\$ 265,430	\$ (5,284,033)
Support services	2,889,295	2,171	113,756	(2,773,368)
Community services	8,074			(8,074)
Food services	411,018	188,781	185,505	(36,732)
Athletics	235,919	71,738		(164,181)
Capital projects	-			-
Capital outlay (noncapitalized)	89,005			(89,005)
Interest on long-term debt	379,437			(379,437)
Depreciation - unallocated	276,177			(276,177)
Total governmental activities	<u>\$ 9,843,452</u>	<u>\$ 267,754</u>	<u>\$ 564,691</u>	<u>(9,011,007)</u>
General revenues:				
Property taxes, levied for general purposes				470,374
Property taxes, levied for debt service				797,443
State aid - unrestricted				7,362,663
Transfers from other districts				20,332
Interest and investment earnings				157,383
Other				73,568
Total general revenue				<u>8,881,763</u>
Change in net assets				(129,244)
Net assets, beginning of year				<u>1,149,384</u>
Net assets, end of year				<u>\$ 1,020,140</u>

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	GENERAL FUND	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash & equivalents	\$ 2,593		\$ 3,823	\$ 6,416
Investments	264,579	\$ 13,375,151	401,363	14,041,093
Accounts receivable	35,834		22,000	57,834
Due from other funds	18,168			18,168
Due from other governmental units	1,334,461			1,334,461
TOTAL ASSETS	<u>\$1,655,635</u>	<u>\$ 13,375,151</u>	<u>\$ 427,186</u>	<u>\$ 15,457,972</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES:				
Accounts payable	\$ 85	\$ 330,592	\$ 7,517	\$ 338,194
Note payable	500,000			500,000
Due to other funds	-	126	18,042	18,168
Benefits payable	267,960			267,960
Salaries payable	579,388			579,388
Accrued expenses	14,450			14,450
Payroll liabilities	1,817			1,817
TOTAL LIABILITIES	<u>1,363,700</u>	<u>330,718</u>	<u>25,559</u>	<u>1,719,977</u>
FUND BALANCE:				
Unreserved	291,935	13,044,433	401,627	13,737,995
TOTAL FUND BALANCE	<u>291,935</u>	<u>13,044,433</u>	<u>401,627</u>	<u>13,737,995</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$1,655,635</u>	<u>\$ 13,375,151</u>	<u>\$ 427,186</u>	<u>\$ 15,457,972</u>

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2005

Total Fund Balances - Governmental Funds \$ 13,737,995

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of the capital assets is:	7,100,601
Accumulated depreciation is:	(4,065,370)

Long -term liabilities are not due and payable in the current period and are not reported in the funds:

Accrued compensated absences	(395,287)
Accrued retirement incentives	(110,184)
Accrued interest	(80,715)
Bonds payable	(15,065,000)
Notes payable	(73,700)
Bus loans payable	(103,523)
Capital lease payable	(63,165)
Deferred bond issuance cost	225,653
Amortization of bond issuance cost	(7,522)
Durant bonds	(85,441)

Balance of taxes receivable at 06/30/05 less allowance for doubtful accounts, expected to be collected after September 1, 2005

5,798

Net Assets of Governmental Activities

\$ 1,020,140

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	GENERAL FUND	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Local sources	\$ 514,425	\$ 141,980	\$ 1,062,187	\$ 1,718,592
State sources	7,326,612		36,051	7,362,663
Federal sources	379,186		185,505	564,691
TOTAL REVENUES	8,220,223	141,980	1,283,743	9,645,946
EXPENDITURES:				
Current				
Education				
Instruction	5,485,788			5,485,788
Supporting services	2,859,835			2,859,835
Community services	8,074			8,074
Food services			411,018	411,018
Athletic services			235,919	235,919
Capital outlay	178,000	1,266,283	-	1,444,283
Debt service			448,329	448,329
TOTAL EXPENDITURES	8,531,697	1,266,283	1,095,266	10,893,246
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(311,474)	(1,124,303)	188,477	(1,247,300)
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of bonds		14,135,000		14,135,000
Bond premium		67,926		67,926
Loss on investments		(34,190)		(34,190)
Loan proceeds	132,630			132,630
Loan payments - principal	(129,374)			(129,374)
Loan payments - interest & fees	(71,315)			(71,315)
Sale of property	8,396			8,396
Transfers from other districts	20,332			20,332
Transfer in	33,553		222,620	256,173
Transfer out	(222,620)	(33,553)	-	(256,173)
TOTAL OTHER FINANCING SOURCES (USES)	(228,398)	14,135,183	222,620	14,129,405
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	(539,872)	13,010,880	411,097	12,882,105
FUND BALANCE - BEGINNING OF YEAR	831,807	33,553	(9,470)	855,890
FUND BALANCE - END OF YEAR	\$ 291,935	\$ 13,044,433	\$ 401,627	\$ 13,737,995

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2005

Total net change in fund balances--governmental funds **\$ 12,882,105**

Total change in net assets reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(276,177)
Capital outlay	602,995
Construction in progress	534,152

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of year	33,865
Accrued interest payable, end of year	(80,715)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Proceeds from issuance of debt	(14,135,000)
Payments on debt	190,000
Deferred bond issuance costs	225,653
Amortization of bond costs	(7,522)

Proceeds of long-term debt are other financing sources and principal payments are expenditures in the governmental funds, but not in the statement of activities

Proceeds from loans	(132,630)
Repayment of long term debt	129,039
Capital lease payments	39,730

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue at the beginning of the year	-
Accrued revenue at the end of the year	5,798

Compensated absences and early retirement incentives are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental

Accrued compensated absences at the beginning of the year	330,601
Accrued compensated absences at the end of the year	(395,287)
Accrued early retirement incentives at the beginning of the year	34,333
Accrued early retirement incentives at the end of the year	(110,184)

Change in net assets of governmental activities	\$ (129,244)
--	---------------------

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2005

	<u>AGENCY FUNDS</u>	<u>DEGROW SCHOLARSHIP FUND</u>	<u>TOTAL</u>
<i>ASSETS</i>			
CURRENT ASSETS			
Cash	\$ 108,507	\$ 8,000	\$ 116,507
<i>TOTAL ASSETS</i>	<u>\$ 108,507</u>	<u>\$ 8,000</u>	<u>\$ 116,507</u>
 <i>LIABILITIES AND NET ASSETS</i>			
LIABILITIES:			
Due to student groups	\$ 108,507		\$ 108,507
NET ASSETS			
Reserved for scholarships		\$ 8,000	8,000
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<u>\$ 108,507</u>	<u>\$ 8,000</u>	<u>\$ 116,507</u>

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
June 30, 2005

	DEGROW SCHOLARSHIP FUND
	<hr/>
ADDITIONS:	
Contributions	\$ -
Interest earnings	<hr/>
TOTAL ADDITIONS	<hr/> - <hr/>
DEDUCTIONS:	
Scholarships	<hr/> - <hr/>
CHANGE IN NET ASSETS	-
NET ASSETS:	
Beginning of year	<hr/> 8,000 <hr/>
End of year	<hr/> \$ 8,000 <hr/>

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the Mayville Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, except as described in Note 1. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

The Mayville Community Schools (the "District") is governed by the Mayville Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

GOVERNMENTAL FUNDS

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *capital projects* fund accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

OTHER NON-MAJOR FUNDS

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method:

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Modified Accrual Method:

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue:

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005 the foundation allowance was based on the pupil membership counts taken in February and September of 2004.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2004 - August, 2005. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received that are not expended by the close of the fiscal year are recorded as deferred revenue.

ASSETS, LIABILITIES AND EQUITY:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No.40 Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year.

The actual due date is September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2005, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund – Non Homestead	18.00
Debt Service Funds - Homestead and non-homestead	6.00

4. Prepaid items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 20 years

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The District's capitalization policy is to capitalize individual amounts exceeding \$1,000. Group purchases are evaluated on a case-by-case basis.

6. Compensated Absences.

Vacation days are earned by employees based upon number of years of employment. Non-teachers employees accumulate sick days at the rate of one (1) sick day for every twenty-two (22) days of compensation with a maximum of twelve (12) days per year. Maximum accumulation shall be nine (9) times the days possible to accumulate in one (1) year. Non-teacher employees exceeding their maximum accumulation of sick days will be paid thirty five percent (35%) of their unused sick days exceeding the maximum accumulation. Non-teacher employees (excluding administrators) leaving the District with five (5) years of service will be paid for accumulated sick days at fifty percent (50%) of the employee's current daily rate of pay for each unused day. Administrators leaving the District with five years of service will be paid for accumulated sick days at thirty-five percent (35%) of the employee's current rate of pay for each unused day.

Teachers earn ten (10) sick days per year. Maximum accumulation shall be one hundred (100) days. Teachers exceeding their maximum accumulation of sick days will be paid thirty-five percent (35%) of their unused sick days. Teachers leaving the District with five (5) years of service will be paid for accumulated sick days at thirty-five percent (35%) of the teacher's current daily rate of pay for each unused day.

7. Unemployment Insurance.

The District reimburses the State of Michigan Bureau of Worker's & Unemployment Compensation (BW&UC) for the actual amount of unemployment benefits disbursed by the BW&UC on behalf of the District. Billings received for amounts paid by the BW&UC through June 30 are accrued if material.

8. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Use of Estimates.

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - general, special revenue and debt service funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP Basis) - general, special revenue and debt service funds.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK:

Cash and cash equivalents are held separately in the name of the district by each of the district's funds.

As of June 30, 2005, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF External Investment pool - MICMS	995,099	0.0027	AAAm	7.09%
MILAF External Investment pool - MIMAX	603,434	0.0027	AAAm	4.30%
U.S. Agency Discount Notes	4,663,515	0.2100	A-1+	33.21%
U.S. Agency Notes & Bonds	7,779,045	0.8575	AAA	55.40%
Total fair value	<u>\$14,041,093</u>			100.0%
Portfolio weighted average maturity		<u>0.2682</u>		

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2005, the fair value of the District's investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2005, the carrying amount of the District's deposits was \$6,416 and the bank balance was \$1,173,417. Of the bank balance, \$100,000 was covered by federal deposit insurance while the remaining bank balance of \$1,073,417 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK (CONTINUED):

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts are reported in the financial statements as follows:

Cash - District wide	\$ 6,416
Fiduciary Funds	116,507
Degrow Scholarship Fund	8,000
Investments - District wide	<u>14,041,093</u>
	<u>\$ 14,172,016</u>

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 4 - LONG-TERM DEBT:

The District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Other long-term obligations include compensated absences, claims and judgments, termination benefits and certain risk liabilities.

Following is a summary of the various long-term debt of the school district:

Limited obligation (Durant) bond, due in annual installments of \$6,000 to \$30,000 through May 15, 2013 with interest of 4.76%.	\$ 85,441
Energy notes are due in annual installments of \$45,000 to \$55,000 through May 1, 2019 with interest of 4.15% due semi-annually.	825,000
School Improvement notes due in annual installments of \$20,000 to \$30,000 through May 1, 2015, with interest at 2.35% to 4.55% due semi-annually.	295,000
2004 Bond issue, due in annual installments of \$190,000 to \$860,000 through May 1, 2034, with interest at 2.25% to 5.00% due semi-annually	13,945,000
Bus notes payable, due in installments of \$5,500 to \$37,500 through May 1, 2007, with interest at 1.90% to 5.47%.	<u>103,523</u>
Total bonded debt	15,253,964
Obligations under capital lease for computer through October 2007	63,165
Installment loan obligations through 2008	73,700
Accumulated compensated absences	395,287
Obligations under retirement incentives through 2008.	<u>110,184</u>
Total long-term debt	\$15,896,300

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 4 - LONG-TERM DEBT (CONTINUED):

DEBT SERVICE REQUIREMENTS:

The annual requirements to amortize long-term debt outstanding as of June 30, 2005 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	\$ 400,323	\$ 664,776	\$ 1,065,099
2007	416,475	654,749	1,071,224
2008	445,607	655,710	1,101,317
2009	384,229	634,183	1,018,412
2010	403,690	621,985	1,025,675
2011-2015	2,180,689	2,891,168	5,071,857
2016-2020	2,315,000	2,453,638	4,768,638
2021-2025	2,545,000	1,936,004	4,481,004
2026-2030	3,210,000	1,280,490	4,490,490
2031-2034	<u>3,200,000</u>	<u>410,000</u>	<u>3,610,000</u>
	15,501,013	12,202,703	27,703,716
Accumulated compensated absences	<u>395,287</u>	<u>-</u>	<u>395,287</u>
	\$15,896,300	\$12,202,703	\$28,099,003

An amount of \$353,339 is available in the debt service fund to service the general obligation debt.

CHANGES IN LONG-TERM DEBT:

Following is a summary of long-term debt transactions of the district for the year ended June 30, 2005:

	<u>ACCUMULATED SICK & VACATION PAY</u>	<u>GENERAL OBLIGATION</u>
Long-term debt - July 1, 2004	\$330,601	\$ 1,481,968
Net decrease in accumulated compensated absences	64,686	
Additions:		
Retirement incentives payable		110,184
Bus notes		58,930
Installment loan		73,700
2005 bond issue		14,135,000
Deductions:		
Bus notes paid		(64,039)
School improvement notes paid		(20,000)
Computer lease payments		(39,730)
Energy notes paid		<u>(45,000)</u>
Total	\$395,287	\$15,501,013

Interest expense (all funds) for the year ended June 30, 2005 was \$379,437.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 5 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine-member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-6000.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2005 were 12.99% for July 1 through September 30, 2004 and 14.87% for October 1 through June 30, 2005. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributes to MPERS for the years ended June 30, 2005, 2004 and 2003 were \$733,909, \$684,639, and \$783,549, respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other post-employment benefits - Under the MPERS' Act, all retirees have the option of continuing health, dental and vision coverage.

NOTE 6 - OPERATING LEASES:

The District has an operating lease for various copy machines which includes a maintenance agreement. Future minimum payments are as follows:

June 30, 2006	\$11,800
June 30, 2007	11,800
June 30, 2008	1,967

Lease and maintenance expense on the copy equipment for the current year was \$11,800.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 7 - RISK MANAGEMENT:

The District is exposed to risk of loss related to injuries to employees. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$18,042	\$ 126
Capital Projects	126	-
Food Service	<u>-</u>	<u>18,042</u>
Total	\$18,168	\$18,168

NOTE 9 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	<u>BALANCE JULY 1, 2004</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2005</u>
Capital assets:				
Building improvements	\$4,435,857	\$ 522,379		\$4,958,236
Land and improvements	86,194			86,194
Equipment and furniture	439,871	80,616		520,487
Buses and other vehicles	<u>1,131,212</u>	<u>-</u>	<u>\$129,680</u>	<u>1,001,532</u>
Subtotal	6,093,134	602,995	129,680	6,566,449
Accumulated depreciation:				
Building improvements	(2,681,984)	(119,162)		(2,947,472)
Land and improvements	(67,035)	(2,066)		(69,101)
Equipment and furniture	(191,658)	(80,024)		(271,682)
Buses and other vehicles	<u>(831,870)</u>	<u>(74,925)</u>	<u>(129,680)</u>	<u>(777,115)</u>
Subtotal	(3,918,873)	(276,177)	(129,680)	(4,065,370)
Net capital assets	<u>2,174,261</u>	<u>326,818</u>	<u>-</u>	<u>2,501,079</u>
Construction in progress		534,152		534,152
Total Net capital assets	\$2,174,261	\$ 860,970		\$3,035,231

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2005

NOTE 9 – CAPITAL ASSETS (CONTINUED):

Construction in progress was not depreciated.

Depreciation for the fiscal year ended June 30, 2005 amounted to \$276,177.

NOTE 10 – TRANSFERS:

Transfers between funds for the year ended June 30, 2005 were as follows:

<u>Fund</u>	<u>Transfers out</u>	<u>Transfers in</u>
General Fund	\$222,620	\$ 33,553
Athletic Fund		200,620
Hot Lunch Fund		22,000
School Improvement and Energy Funds	<u>33,553</u>	<u> </u>
Total Transfers	\$256,173	\$256,173

NOTE 11 – NOTE PAYABLE AND SUBSEQUENT EVENT:

On August 25, 2005, the District borrowed a state aid note in an amount not to exceed \$1,300,000. The state aid note bears interest at a base rate of 3.08% and will mature on August 25, 2006.

In September 2004, the District passed a \$14,500,000 bond proposal for school renovations and additions that is currently in progress.

REQUIRED SUPPLEMENTAL INFORMATION

MAYVILLE COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Local sources	\$ 534,796	\$ 533,161	\$ 514,425	\$ (18,736)
State sources	7,330,398	7,330,226	7,326,612	(3,614)
Federal sources	379,239	382,046	379,186	(2,860)
TOTAL REVENUES	8,244,433	8,277,433	8,220,223	(57,210)
EXPENDITURES				
Instruction	5,700,620	5,632,819	5,485,788	147,031
Supporting services	2,879,369	2,945,425	2,859,835	85,590
Capital outlay	180,000	178,995	178,000	995
Community services	7,774	10,224	8,074	2,150
TOTAL EXPENDITURES	8,767,763	8,767,463	8,531,697	232,621
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(523,330)	(490,030)	(311,474)	175,411
OTHER FINANCING SOURCES (USES):				
Loan proceeds	140,630	132,630	132,630	-
Loan payments - principal	(129,076)	(129,645)	(129,374)	271
Loan payments - interest & fees	(72,000)	(71,431)	(71,315)	116
Sale of school property	5,000	5,000	8,396	3,396
Transfers to other districts	20,000	27,000	20,332	(6,668)
Fund transfers in	-	-	33,553	33,553
Fund transfers out	(227,000)	(227,000)	(222,620)	4,380
TOTAL OTHER FINANCING SOURCES (USES)	(262,446)	(263,446)	(228,398)	35,048
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	(785,776)	(753,476)	(539,872)	210,459
FUND BALANCE - BEGINNING OF YEAR	831,807	831,807	831,807	-
FUND BALANCE - END OF YEAR	\$ 46,031	\$ 78,331	\$ 291,935	\$ 210,459

ADDITIONAL INFORMATION

MAYVILLE COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
June 30, 2005

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>2005</u>
<u>ASSETS</u>			
Cash and equivalents	\$ 3,823		\$ 3,823
Investments	48,024	\$ 353,339	401,363
Accounts receivable	22,000		22,000
TOTAL ASSETS	<u>\$ 73,847</u>	<u>\$ 353,339</u>	<u>\$ 427,186</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Accounts payable	\$ 7,517		\$ 7,517
Due to other funds	18,042		18,042
TOTAL LIABILITIES	<u>25,559</u>	<u>-</u>	<u>25,559</u>
<u>FUND BALANCE</u>			
Fund balances:			
Unreserved:			
Undesignated	48,288	353,339	401,627
Total unreserved	48,288	353,339	401,627
TOTAL FUND BALANCE	<u>48,288</u>	<u>353,339</u>	<u>401,627</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 73,847</u>	<u>\$ 353,339</u>	<u>\$ 427,186</u>

MAYVILLE COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NONMAJOR FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>2005</u>
REVENUES			
Local sources	\$ 260,519	\$ 801,668	\$ 1,062,187
State sources	36,051		36,051
Federal sources	185,505		185,505
TOTAL REVENUES	<u>482,075</u>	<u>801,668</u>	<u>1,283,743</u>
EXPENDITURES			
Food services	411,018		411,018
Athletic services	235,919		235,919
Debt services		448,329	448,329
Capital outlay			-
TOTAL EXPENDITURES	<u>646,937</u>	<u>448,329</u>	<u>1,095,266</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(164,862)</u>	<u>353,339</u>	<u>188,477</u>
OTHER FINANCING SOURCES (USES)			
Fund transfers in	222,620		222,620
Fund transfers out			-
TOTAL OTHER FINANCING SOURCES (USES)	<u>222,620</u>	<u>-</u>	<u>222,620</u>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>57,758</u>	<u>353,339</u>	<u>411,097</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>(9,470)</u>	<u>-</u>	<u>(9,470)</u>
FUND BALANCE AT END OF YEAR	<u>\$ 48,288</u>	<u>\$ 353,339</u>	<u>\$ 401,627</u>

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
LOCAL SOURCES:			
Property taxes	\$ 494,946	\$ 464,576	\$ (30,370)
Tuition and fees	750	7,235	6,485
Earnings on investments	4,000	11,178	7,178
Rental of school property	100	645	545
Other local revenues	33,365	30,791	(2,574)
Total Local Sources	<u>533,161</u>	<u>514,425</u>	<u>(18,736)</u>
STATE SOURCES:			
Foundation grant	6,960,205	7,021,800	61,595
Special education	155,030	93,402	(61,628)
At Risk	196,874	192,237	(4,637)
Vocational education	4,743	5,069	326
Other grants	-	730	730
Durant settlement	13,374	13,374	-
Total State Sources	<u>7,330,226</u>	<u>7,326,612</u>	<u>(3,614)</u>
FEDERAL SOURCES:			
ECIA Title I	282,336	282,336	-
ECIA Title II - Technology	7,175	7,175	-
ECIA Title II - Teacher	84,032	84,032	-
ECIA Title V	3,503	3,503	-
Other	5,000	2,140	(2,860)
Total Federal Sources	<u>382,046</u>	<u>379,186</u>	<u>(2,860)</u>
OTHER TRANSACTIONS:			
Transfers to other districts	27,000	20,332	(6,668)
Transfers from other funds	-	33,553	33,553
Total Transfers	<u>27,000</u>	<u>53,885</u>	<u>26,885</u>
Loan proceeds	132,630	132,630	-
Sale of School property	5,000	8,396	3,396
TOTAL REVENUES	<u>\$ 8,277,433</u>	<u>\$ 8,415,134</u>	<u>\$ 137,701</u>

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
BASIC PROGRAMS:			
ELEMENTARY:			
Salaries	\$ 1,448,407	\$ 1,415,780	\$ 32,627
Employee benefits	665,300	662,979	2,321
Purchased services	21,300	20,987	313
Supplies and materials	17,940	17,392	548
Miscellaneous	1,500	1,439	61
Total Elementary	<u>2,154,447</u>	<u>2,118,577</u>	<u>35,870</u>
Middle school			
Salaries	870,150	836,360	33,790
Employee benefits	353,874	349,750	4,124
Purchased services	12,700	12,597	103
Supplies and materials	8,150	7,624	526
Miscellaneous	5,561	5,094	467
Total Middle school	<u>1,250,435</u>	<u>1,211,425</u>	<u>39,010</u>
High school			
Salaries	890,429	847,387	43,042
Employee benefits	448,617	445,676	2,941
Purchased services	33,200	32,079	1,121
Supplies and materials	36,400	35,917	483
Miscellaneous	200	82	118
Total High school	<u>1,408,846</u>	<u>1,361,141</u>	<u>47,705</u>

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
ADDED NEEDS:			
Special education			
Salaries	\$ 373,243	\$ 334,256	\$ 38,987
Employee benefits	114,298	141,849	(27,551)
Purchased services	2,000	1,546	454
Supplies and materials	5,700	4,923	777
Miscellaneous	-	450	(450)
Total Special education	<u>495,241</u>	<u>483,024</u>	<u>12,217</u>
Compensatory education			
Salaries	127,231	127,248	(17)
Employee benefits	102,216	99,903	2,313
Purchased services	11,800	11,465	335
Supplies and materials	34,229	34,201	28
Miscellaneous	-	-	-
Total Compensatory education	<u>275,476</u>	<u>272,817</u>	<u>2,659</u>
Vocational education			
Salaries	31,620	25,579	6,041
Employee benefits	11,750	8,469	3,281
Purchased services	-	-	-
Supplies and materials	350	238	112
Miscellaneous	-	-	-
Total Vocational education	<u>43,720</u>	<u>34,286</u>	<u>9,434</u>
Drivers education			
Salaries	3,125	3,362	(237)
Employee benefits	729	199	530
Purchased services	-	-	-
Supplies and materials	800	957	(157)
Miscellaneous	-	-	-
Total Drivers education	<u>4,654</u>	<u>4,518</u>	<u>136</u>
TOTAL INSTRUCTION	<u>5,632,819</u>	<u>5,485,788</u>	<u>147,031</u>

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES:			
Support services- pupil			
Salaries	\$ 118,005	\$ 115,077	\$ 2,928
Employee benefits	66,630	62,279	4,351
Purchased services	6,460	5,924	536
Supplies and materials	1,850	1,327	523
Miscellaneous	-	-	-
Total Supporting services	<u>192,945</u>	<u>184,607</u>	<u>8,338</u>
Health services			
Salaries	21,183	21,223	(40)
Employee benefits	19,769	14,647	5,122
Purchased services	350	270	80
Supplies and materials	200	137	63
Miscellaneous	-	-	-
Total Health services	<u>41,502</u>	<u>36,277</u>	<u>5,225</u>
Other pupil services			
Salaries	11,349	10,851	498
Employee benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Miscellaneous	-	-	-
Total Other pupil services	<u>11,349</u>	<u>10,851</u>	<u>498</u>

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
Support service- instructional staff			
Library			
Salaries	\$ 170,101	\$ 168,654	\$ 1,447
Employee benefits	78,877	77,561	1,316
Purchased services	1,100	1,008	92
Supplies and materials	14,400	13,380	1,020
Miscellaneous	8,100	7,920	180
	<u>272,578</u>	<u>268,523</u>	<u>4,055</u>
Total Support service- library			
Support service- general administration			
Board of education			
Salaries	6,000	5,850	150
Employee benefits	1,281	1,222	59
Purchased services	62,300	59,054	3,246
Supplies and materials	3,500	3,137	363
Miscellaneous	4,500	4,354	146
	<u>77,581</u>	<u>73,617</u>	<u>3,964</u>
Total General administration			
Executive administration			
Salaries	111,825	111,522	303
Employee benefits	51,880	50,699	1,181
Purchased services	8,300	7,903	397
Supplies and materials	2,700	2,564	136
Miscellaneous	1,950	1,091	859
	<u>176,655</u>	<u>173,779</u>	<u>2,876</u>
Total Executive administration			

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
Support service- school administration			
School administration			
Salaries	\$ 291,070	\$ 292,210	\$ (1,140)
Employee benefits	173,060	171,035	2,025
Purchased services	31,900	23,402	8,498
Supplies and materials	12,090	8,074	4,016
Miscellaneous	2,600	2,471	129
Total School administration	<u>510,720</u>	<u>497,192</u>	<u>13,528</u>
Other school administration			
Salaries	50,396	49,782	614
Employee benefits	18,793	17,495	1,298
Purchased services	2,600	2,486	114
Supplies and materials	-	-	-
Miscellaneous	300	169	131
Total Other school administration	<u>72,089</u>	<u>69,932</u>	<u>2,157</u>
Support services- business			
Business administration			
Salaries	71,742	71,267	475
Employee benefits	51,144	48,905	2,239
Purchased services	21,850	18,780	3,070
Supplies and materials	12,000	10,699	1,301
Miscellaneous	2,200	1,309	891
Total Business administration	<u>158,936</u>	<u>150,960</u>	<u>7,976</u>

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
Other business services			
Purchased services	\$ 11,000	\$ 10,219	\$ 781
Miscellaneous	43,000	41,724	1,276
Total Other business services	<u>54,000</u>	<u>51,943</u>	<u>2,057</u>
Operations and maintenance			
Salaries	328,558	327,549	1,009
Employee benefits	190,673	189,775	898
Purchased services	83,394	79,891	3,503
Supplies and materials	216,850	213,042	3,808
Miscellaneous	1,500	1,013	487
Total Operations and maintenance	<u>820,975</u>	<u>811,270</u>	<u>9,705</u>
Pupil transportation			
Salaries	224,477	223,315	1,162
Employee benefits	127,965	125,755	2,210
Purchased services	31,300	24,409	6,891
Supplies and materials	60,900	50,170	10,730
Miscellaneous	300	253	47
Total Pupil transportation	<u>444,942</u>	<u>423,902</u>	<u>21,040</u>
Community services			
Miscellaneous	3,000	2,300	700
Total Community services	<u>3,000</u>	<u>2,300</u>	<u>700</u>

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
Support service-other			
Salaries	\$ 8,000	\$ 7,472	\$ 528
Employee benefits	1,751	685	1,066
Purchased services	97,802	96,118	1,684
Supplies and materials	600	407	193
Miscellaneous	-	-	-
Total Support service-other	<u>108,153</u>	<u>104,682</u>	<u>3,471</u>
TOTAL SUPPORTING SERVICES	<u>2,945,425</u>	<u>2,859,835</u>	<u>85,590</u>
Capital outlay			
Instructional services			
Elementary	85,155	85,129	26
Middle school	800	585	215
High school	1,100	840	260
Special education	-	-	-
Compensatory education	2,540	2,540	-
Vocational education	-	-	-
Drivers education	-	-	-
Supporting services			
Guidance services	-	-	-
Health services	-	-	-
Library	200	126	74
Board of education	-	-	-
Executive administration	-	-	-
School administration	100	100	-
Operating building	30,000	29,660	340
Pupil transportation	59,100	59,020	80
Other support services	-	-	-
TOTAL CAPITAL OUTLAY	<u>178,995</u>	<u>178,000</u>	<u>995</u>

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
COMMUNITY SERVICES:			
Community activities			
Miscellaneous	\$ 4,250	\$ 3,242	\$ 1,008
Total Community activities	<u>4,250</u>	<u>3,242</u>	<u>1,008</u>
After school program			
Salaries	5,000	4,173	827
Employee benefits	<u>974</u>	<u>659</u>	<u>315</u>
Total After school program	<u>5,974</u>	<u>4,832</u>	<u>1,142</u>
TOTAL COMMUNITY SERVICES	<u>10,224</u>	<u>8,074</u>	<u>2,150</u>
TOTAL EXPENDITURES	<u>8,767,463</u>	<u>8,531,697</u>	<u>235,766</u>
OUTGOING TRANSFERS AND OTHER:			
Transfers to other funds	227,000	222,620	4,380
Loan payments - principal	129,645	129,374	271
Loan payments - interest & fees	<u>71,431</u>	<u>71,315</u>	<u>116</u>
TOTAL OUTGOING TRANSFERS AND OTHER	<u>428,076</u>	<u>423,309</u>	<u>4,767</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ 9,195,539</u>	<u>\$ 8,955,006</u>	<u>\$ 240,533</u>

MAYVILLE COMMUNITY SCHOOLS
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2005

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and equivalents	\$ 2,519	\$ 1,304	\$ 3,823
Investments	-	48,024	48,024
Accounts receivable	<u>22,000</u>		<u>22,000</u>
TOTAL ASSETS	<u>\$ 24,519</u>	<u>\$ 49,328</u>	<u>\$ 73,847</u>
 <u>LIABILITIES & FUND EQUITY</u>			
LIABILITIES:			
Accounts payable	\$ 5,209	\$ 2,308	\$ 7,517
Due to general fund	<u>18,042</u>		<u>18,042</u>
TOTAL LIABILITIES	<u>23,251</u>	<u>2,308</u>	<u>25,559</u>
 FUND BALANCE:			
Fund Balance	<u>1,268</u>	<u>47,020</u>	<u>48,288</u>
TOTAL FUND BALANCE	<u>1,268</u>	<u>47,020</u>	<u>48,288</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 24,519</u>	<u>\$ 49,328</u>	<u>\$ 73,847</u>

MAYVILLE COMMUNITY SCHOOLS
ALL SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTAL</u>
REVENUES:			
Local sources	\$ 188,781	\$ 71,738	\$ 260,519
State sources	36,051		36,051
Federal sources	185,505		185,505
	<u>410,337</u>	<u>71,738</u>	<u>482,075</u>
TOTAL REVENUES			
EXPENDITURES:			
Salaries and wages	97,932		97,932
Employee benefits	102,130		102,130
Purchased services	23,628		23,628
Supplies and materials	150,641		150,641
Capital outlay	1,085		1,085
Athletic activities		235,919	235,919
Miscellaneous	35,602		35,602
	<u>411,018</u>	<u>235,919</u>	<u>646,937</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(681)</u>	<u>(164,181)</u>	<u>(164,862)</u>
OTHER FINANCING SOURCES (USES):			
Fund transfers in	22,000	200,620	222,620
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	<u>21,319</u>	<u>36,439</u>	<u>57,758</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>(20,051)</u>	<u>10,581</u>	<u>(9,470)</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,268</u>	<u>\$ 47,020</u>	<u>\$ 48,288</u>

MAYVILLE COMMUNITY SCHOOLS
CAPITAL PROJECTS FUND
BALANCE SHEET
June 30, 2005

	<u>SCHOOL IMPROVEMENT</u>	<u>2004 CAPITAL PROJECT</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Investments	\$ -	\$ 13,375,151	\$ 13,375,151
TOTAL ASSETS	\$ -	\$ 13,375,151	\$ 13,375,151
 <u>LIABILITIES & FUND BALANCE</u>			
LIABILITIES:			
Accounts payable	\$ -	\$ 330,592	\$ 330,592
Due to other funds	-	126	126
TOTAL LIABILITIES	-	330,718	330,718
 FUND BALANCE:			
Fund balance	-	13,044,433	13,044,433
TOTAL LIABILITIES & FUND BALANCE	\$ -	\$ 13,375,151	\$ 13,375,151

MAYVILLE COMMUNITY SCHOOLS
CAPITAL PROJECTS FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005

	<u>SCHOOL IMPROVEMENT</u>	<u>2004 CAPITAL PROJECT</u>	<u>TOTAL</u>
REVENUES:			
Local Sources:			
Interest	\$ -	\$ 141,980	\$ 141,980
TOTAL REVENUES	<u>-</u>	<u>141,980</u>	<u>141,980</u>
EXPENDITURES:			
Capital outlay	<u>-</u>	<u>1,266,283</u>	<u>1,266,283</u>
TOTAL EXPENDITURES	<u>-</u>	<u>1,266,283</u>	<u>1,266,283</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(1,124,303)</u>	<u>(1,124,303)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of bonds		14,135,000	14,135,000
Bond premium		67,926	67,926
Loss on investments		(34,190)	(34,190)
Fund transfers out	(33,553)	<u>-</u>	<u>(33,553)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(33,553)	14,168,736	14,135,183
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>(33,553)</u>	<u>13,044,433</u>	<u>13,010,880</u>
FUND BALANCES:			
Beginning of Year	<u>33,553</u>		<u>33,553</u>
End of Year	<u>\$ -</u>	<u>\$ 13,044,433</u>	<u>\$ 13,044,433</u>

MAYVILLE COMMUNITY SCHOOLS
DEBT SERVICE FUND
BALANCE SHEET
June 30, 2005

<u>ASSETS</u>	
Investments	<u>\$ 353,339</u>
TOTAL ASSETS	<u><u>\$ 353,339</u></u>
 <u>LIABILITIES & FUND BALANCE</u>	
LIABILITIES:	
 FUND BALANCE:	
Fund balance	<u>\$ 353,339</u>
TOTAL LIABILITIES & FUND BALANCE	<u><u>\$ 353,339</u></u>

MAYVILLE COMMUNITY SCHOOLS
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005

	<u>2004 DEBT</u>	<u>DURANT DEBT</u>	<u>TOTAL</u>
REVENUES:			
Local Sources:			
Property taxes	\$ 797,443		\$ 797,443
Interest	4,225		4,225
Total Local Sources	801,668		801,668
State Sources			-
TOTAL REVENUES	801,668	-	801,668
EXPENDITURES:			
Debt Service:			
Principal repayment	190,000		190,000
Interest and other fiscal charges	258,329		258,329
TOTAL EXPENDITURES	448,329	-	448,329
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	353,339	-	353,339
FUND BALANCES:			
Beginning of Year	-	-	-
End of Year	<u>\$ 353,339</u>	<u>-</u>	<u>\$ 353,339</u>

MAYVILLE COMMUNITY SCHOOLS
AGENCY FUND
SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BALANCE AT</u> <u>6/30/04</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE AT</u> <u>6/30/05</u>
<u>Student activities</u>				
Boys basketball	\$ 189	\$ 16,701	\$ 14,556	\$ 2,334
Baseball	100	2,507	2,588	19
Class of 2002	280	-	280	-
Class of 2004	1,185	280	-	1,465
Class of 2005	2,544	149	2,321	372
Class of 2006	116	8,307	5,524	2,899
Class of 2007	2,295	1,856	1,374	2,777
Class of 2008	-	3,020	1,932	1,088
Class of 2014	-	148	-	148
Field Trip - 2015	-	2,745	1,950	795
AAU	1,656	3,336	4,363	629
ADV Science	-	857	855	2
Art	17	381	279	119
Assembly	11,717	1,135	3,070	9,782
Band	3,107	15,612	16,330	2,389
Business Professionals of America	6	-	6	-
Cheerleading	454	917	908	463
Cheerleading Jr. High	44	-	-	44
Community for kids	74	-	-	74
DC 2008	-	112	112	-
DC 2009	-	6,600	6,600	-
DC 2010	-	4,881	3,114	1,767
DC 2011	-	4,040	2,830	1,210
Drama	3,999	6,183	5,448	4,734
Drivers Education	-	6,193	5,850	343
Ecology	3,386	-	197	3,189
Elementary library	1,214	5,578	5,017	1,775
Elementary pop	174	1,125	995	304
Elementary Revolving	4,695	3,003	1,829	5,869
Equestrian Team	344	-	-	344
Exchange	1,407	21,213	21,099	1,521
Future Homemakers of America	79	-	-	79
Football	9,643	21,555	26,648	4,550
Foot path	6,515	1,840	8,000	355
Fun Fair	8,355	19,521	23,895	3,981
Girls basketball	513	5,459	5,461	511
Helen Lynch Media	-	-	-	-
HS newspaper	131	-	-	131
Golf	-	360	357	3
Interest	-	1,996	-	1,996
JRFH	220	1,777	1,777	220
JWFB	580	-	-	580
Library	132	2,928	2,962	98
Lock deposit	685	5	-	690
Mayville mornings	568	1	-	569
MS activities	550	-	550	-

MAYVILLE COMMUNITY SCHOOLS
AGENCY FUND
SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BALANCE AT</u> <u>6/30/04</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE AT</u> <u>6/30/05</u>
MSA 2008	\$ 13	\$ -	\$ -	\$ 13
MAS 2009	301	3,227	3,107	421
MAS 2010	3,900	2,800	4,274	2,426
MAS 2011	1,231	2,873	2,335	1,769
MPC	382	6,017	6,227	172
Middle school gazette	-	24	-	24
Middle school library	24	651	599	76
Middle school pop	406	186	514	78
Middle school revolving	158	11,297	1,032	10,423
Middle school robotics	10,805	300	10,805	300
Middle school student council	301	5,048	4,741	608
Middle school yearbook	-	4,421	3,244	1,177
Milk	110	4,136	3,450	796
NAHS	1,064	383	1,155	292
NHS	2,927	1,147	3,737	337
NOT	473	1,018	350	1,141
POMMS	1,490	681	1,753	418
Path finders	681	426	1,022	85
Playground	4,942	8,840	12,556	1,226
Pride society	114	-	-	114
Projects	2,266	1,000	2,266	1,000
Pop fund	331	11,099	10,045	1,385
Students against drunk drivers	209	380	369	220
Science supply	23	-	-	23
Secretary	159	-	-	159
Ski club	609	135	491	253
Softball	496	960	-	1,456
Sophomore literature	34	-	-	34
Spanish club	515	1,849	1,488	876
Steno clerical	99	8	-	107
Student council	2,796	1,550	1,707	2,639
Sunday basketball	1,205	13	481	737
Textbook	2,240	224	1,277	1,187
Track	902	5,367	4,287	1,982
Trophy case	367	291	-	658
Varsity volleyball	1,910	5,494	4,970	2,434
Wildcat AC	3,166	7,401	3,198	7,369
Wrestling	70	30	-	100
Weight lifting equipment	131	-	-	131
Yearbook	6,574	12,748	15,679	3,643
	<u>6,574</u>	<u>12,748</u>	<u>15,679</u>	<u>3,643</u>
TOTAL ACTIVITY FUNDS	<u>\$ 120,398</u>	<u>\$ 274,345</u>	<u>\$ 286,236</u>	<u>\$ 108,507</u>

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - SCHOOL BUILDING & SITE
June 30, 2005

In September 2004, the District sold the 2004 School Building and Site Bonds in the amount of \$14,135,000 for the purpose of erecting, furnishing and equipping additions to, and partially remodeling, furnishing, and refurbishing, equipping and re-equipping school facilities; acquiring, installing and equipping a new maintenance building; and developing and improving sites.

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
\$ 190,000	2.25	\$ 305,907	\$ 305,907	2006	\$ 801,814
220,000	2.50	303,769	303,769	2007	827,538
265,000	2.75	301,019	301,019	2008	867,038
290,000	3.00	297,376	297,376	2009	884,752
305,000	3.25	293,026	293,026	2010	891,052
315,000	3.50	288,069	288,069	2011	891,138
325,000	3.25	282,557	282,557	2012	890,114
335,000	3.38	277,276	277,276	2013	889,552
345,000	3.50	271,623	271,623	2014	888,246
360,000	4.00	265,585	265,585	2015	891,170
375,000	4.00	258,385	258,385	2016	891,770
390,000	4.05	250,885	250,885	2017	891,770
405,000	4.20	242,988	242,988	2018	890,976
425,000	4.25	234,483	234,483	2019	893,966
445,000	4.40	225,449	225,449	2020	895,898
465,000	4.50	215,661	215,661	2021	896,322
485,000	4.50	205,199	205,199	2022	895,398
510,000	4.60	194,286	194,286	2023	898,572
530,000	4.62	182,556	182,556	2024	895,112
555,000	4.75	170,300	170,300	2025	895,600
585,000	4.75	157,119	157,119	2026	899,238
610,000	4.75	143,225	143,225	2027	896,450
640,000	4.75	128,738	128,738	2028	897,476
670,000	4.75	113,538	113,538	2029	897,076
705,000	5.00	97,625	97,625	2030	900,250
740,000	5.00	80,000	80,000	2031	900,000
780,000	5.00	61,500	61,500	2032	903,000
820,000	5.00	42,000	42,000	2033	904,000
860,000	5.00	21,500	21,500	2034	903,000
<u>\$ 13,945,000</u>		<u>\$ 5,911,644</u>	<u>\$ 5,911,644</u>		<u>\$ 25,768,288</u>

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - SCHOOL IMPROVEMENT
June 30, 2005

In December 2003, the District sold School Improvement Bond in the amount of \$315,000 for the purpose of upgrading facilities and instituting energy saving measures.

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
\$ 20,000	2.35	\$ 5,320	\$ 5,320	2006	\$ 30,640
20,000	2.70	5,085	5,085	2007	30,170
25,000	3.00	4,815	4,815	2008	34,630
25,000	3.05	4,440	4,440	2009	33,880
30,000	3.20	4,059	4,059	2010	38,118
30,000	3.50	3,579	3,579	2011	37,158
35,000	3.75	3,053	3,053	2012	41,106
35,000	4.15	2,398	2,398	2013	39,796
35,000	4.35	1,671	1,671	2014	38,342
40,000	4.55	910	910	2015	41,820
<u>\$ 295,000</u>		<u>\$ 35,330</u>	<u>\$ 35,330</u>		<u>\$ 365,660</u>

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - ENERGY
June 30, 2005

In December 2003, the District sold Energy Bond in the amount of \$870,000 for the purpose of upgrading facilities and instituting energy saving measures.

PRINCIPAL DUE MAY 1		RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
			MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
\$	45,000	4.15	\$ 17,118	\$ 17,119	2006	\$ 79,237
	50,000	4.15	16,185	16,185	2007	82,370
	50,000	4.15	15,148	15,148	2008	80,296
	50,000	4.15	14,110	14,110	2009	78,220
	55,000	4.15	13,073	13,072	2010	81,145
	55,000	4.15	11,931	11,931	2011	78,862
	60,000	4.15	10,790	10,790	2012	81,580
	60,000	4.15	9,545	9,545	2013	79,090
	60,000	4.15	8,300	8,300	2014	76,600
	65,000	4.15	7,055	7,055	2015	79,110
	65,000	4.15	5,706	5,706	2016	76,412
	65,000	4.15	4,358	4,358	2017	73,716
	70,000	4.15	3,009	3,009	2018	76,018
	75,000	4.15	1,556	1,556	2019	78,112
<u>\$ 825,000</u>			<u>\$ 137,884</u>	<u>\$ 137,884</u>		<u>\$ 1,100,768</u>

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - 1998 ISSUE
June 30, 2005

\$85,441 Durant Bond issued 1998:

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
\$ 6,473	\$ 2,918	2006	\$ 9,391
6,780	2,610	2007	9,390
31,259	13,059	2008	44,318
7,443	1,949	2009	9,392
7,797	1,594	2010	9,391
8,168	1,223	2011	9,391
8,557	834	2012	9,391
8,964	427	2013	9,391
\$ 85,441	\$ 24,614		\$ 110,055

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

MAYVILLE COMMUNITY SCHOOLS

**ADDITIONAL REPORTS REQUIRED
BY OMB CIRCULAR A-133**

YEAR ENDED JUNE 30, 2005

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

August 29, 2005

To the Board of Education
Mayville Community Schools
Mayville, MI 48744

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mayville Community Schools as of and for the year ended June 30, 2005, and have issued our report thereon dated August 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Mayville Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Mayville Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the board of education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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715 East Frank Street, Caro, MI 48723-1647 • 989/673-3137 • 800-234-8829 • Fax 989/673-3375

6261 Church Street, Cass City, MI 48726-1111 • 989/872-3730 • Fax 989/872-3978

E mail cpa@atbdcpa.com Website www.atbdcpa.com



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

August 29, 2005

To the Board of Education
Mayville Community Schools
Mayville, MI 48744

COMPLIANCE

We have audited the compliance of Mayville Community Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. Mayville Community Schools' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program is the responsibility of Mayville Community Schools' management. Our responsibility is to express an opinion on Mayville Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mayville Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Mayville Community Schools' compliance with those requirements.

In our opinion, Mayville Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2005.

INTERNAL CONTROL OVER COMPLIANCE

The management of Mayville Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mayville Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

To the Board of Education
August 29, 2005

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mayville Community Schools as of and for the year ended June 30, 2005, and have issued our report thereon dated August 29, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Mayville Community Schools basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the board of education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE GRANTOR NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2004	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2005
U.S. DEPARTMENT OF AGRICULTURE: Passed through Michigan Dept. of Education: Food Distribution Entitlement Bonus	10.550	\$ 9,955 1,766 11,721	\$ - - -	\$ - - -	\$ 9,955 1,766 11,721	\$ 9,955 1,766 11,721	- - -
National Cluster National School Breakfast	10.553	34,796	-	-	34,796	34,796	-
National School Lunch Total Nutrition Cluster	10.555	138,988 173,784	- -	- -	138,988 173,784	138,988 173,784	- -
TOTAL U.S. DEPARTMENT OF AGRICULTURE							
U.S. DEPARTMENT OF EDUCATION: Passed through Michigan Dept. of Education: 0315300304 Title I Part A Carryover 0415300304 Title I Part A 0515300405 Title I Part A							
	84.010	36,413 283,751 282,336 602,500	36,413 83,000 - 119,413	36,413 200,751 - 237,164	36,413 83,000 282,336 401,749	- - 282,336 282,336	- - - -
0402500304 - Title V LEA Allocation 0502500405 - Title V LEA Allocation	84.298	7,913 3,503 11,416	1,000 - 1,000	7,913 - 7,913	1,000 3,503 4,503	- 3,503 3,503	- - -

(Continued)

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE GRANTOR NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2004	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2005
U.S. DEPARTMENT OF EDUCATION: (Continued) Passed through Michigan Dept. of Education: 0442900304 ED Tech 0542900405 ED Tech	84.318	\$ 6,865	\$ 865	\$ 6,865	\$ 865	-	
		7,175	-	-	7,175	7,175	
		14,040	865	6,865	8,040	7,175	
0405200304 Title I/A 0505200405 Title I/A	84.367	84,072	30,072	84,072	30,072	-	
		84,032	-	-	84,032	84,032	
		168,104	30,072	84,072	114,104	84,032	
Passed through Tuscola Intermediate School District 5014-11 Tech Prep (Huron ISD)	84.243A	2,140	-	-	2,140	2,140	
		798,200	151,350	336,014	530,536	379,186	
TOTAL U.S. DEPARTMENT OF EDUCATION							
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 983,705	\$ 151,350	\$ 336,014	\$ 716,041	\$ 564,691	

MAYVILLE COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Mayville Community Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Title I, CFDA #84.010 and Tech Prep, CFDA #84.243 were audited as major programs and represent 50.3% of expenditures.
2. The threshold for distinguishing Type A and B programs was \$300,000.
3. Expenditures on this schedule reconcile with amounts reported in the financial statements and financial reports submitted to the Michigan Department of Education.
4. Management has utilized the R7120, Grant Section Auditors' Report, in preparing the schedule of expenditures of federal awards.
5. The amounts reported on the Receipt Entitlement Balance Report agree with this schedule for USDA donated food commodities.

NOTE 3 – RECONCILIATION OF FEDERAL REVENUE

The current year expenditures on the Schedule of Expenditures of Federal Awards agrees to the federal revenue reported in the financial statements, as follows:

Federal revenue per financial statements	<u>\$564,691</u>
Federal expenditures per Schedule of Federal Awards	\$564,691

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)

84.010
84.243

Name of Federal Program or Cluster

Title I
Tech Prep

Dollar threshold used to distinguish between type A and Type B Programs:

\$300,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

MAYVILLE COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

Finding 04-1

Condition: There were no management reports produced from January through June of 2004. This was the result of lack of general ledgers for this period of time.

Recommendation: The auditor recommended that monthly ledgers be maintained and monthly financial statements be furnished to the Board.

Current Status: The lack of timely financial information was a result of a serious illness and death in the business manager's family. These issues have been fully resolved during the 2004-2005 fiscal year.

Finding 04-2

Condition: Certain prior year fringe benefit accruals had not been reversed, causing fringe benefit expense to be overstated during the year.

Recommendation: The auditors recommended that all prior year journal entries be reviewed and those that should be reversed, be reversed.

Current Status: The business manager had reversed all appropriate prior year journal entries.

Finding 04-3

Condition: There were several expense items significantly over budget.

Recommendation: The auditor recommended monitoring the budget more closely.

Current Status: The budget was monitored on a monthly basis during the 2004-05 school year and was amended twice to reflect the current trends.

Finding 04-4

Condition: The auditors noted that several invoices had been paid twice during the year.

Recommendation: The auditor recommended that all invoices be promptly entered into the accounts payable software system to prevent duplicate payments.

Current Status: The current audit disclosed no instances of invoices being paid twice.

Finding 04-5

Condition: The School District did not obtain time certifications for employees who were being charged to federal projects.

Recommendation: The auditor recommended that to comply with OMB Circular A-87, signed certificates be obtained for all employees charged to federal projects.

Current Status: Time certifications are being obtained for individuals charged to single projects and time studies are maintained by employees who are split funded.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

August 29, 2005

To the Board of Education
Mayville Community Schools
Mayville, Michigan 48744

In planning and performing our audit of the financial statements of Mayville Community Schools for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated August 29, 2005, on the financial statements of Mayville Community Schools.

New Rules For §403(B) Plans

Proposed regulations were issued last year that require a written plan document for §403(b) plans. The plan must contain all the material terms and conditions for eligibility, benefits, contribution limitations, the annuity contracts or accounts available or used under the plan for funding, and the time and form under which benefit payments will be made. There is no requirement that a single document must be used. This rule applies for tax years beginning after 2005 to assure you comply.

Increase Fidelity insurance coverage

We recommend that the District review their fidelity insurance and consider increasing the insurance coverage. With the size of the District's operations and the amounts of money that are frequently involved in individual transactions indicate that the fidelity bond should carry a higher limitation. We believe that this type of protection is a particularly desirable safeguard against loss through theft or misappropriation, and we recommend that it be considered

Capitalization Policy

We feel the school board and/or administration should consider increasing the *Capitalization policy*. This is a policy which sets the minimum dollar amount that is used to capitalize fixed asset. Current accounting literature suggests an amount between \$1,000 and \$5,000. At least 80% of the value of existing fixed assets needs to be capitalized. Currently the district's threshold is set at \$1,000. We would recommend increasing the limit to \$3,000. The district could increase the threshold for capitalization, but continue to use a lower threshold for insurance or other purposes.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various schools district personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Mayville Community Schools, management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Anderson, Tuckey, Bernhardt & Doran, P.C.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**